GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:397
ANSWERED ON:21.04.2005
FDI IN OIL SECTOR
Chavan Shri Harischandra Deoram

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government is considering enhancing foreign direct investment in oil and natural gas sector;

(b) if so, the details thereof; and

(c) the time by which the decision is likely to be taken in this regard?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (c): A State,ment is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (c) OF LOK SABHA STARRED QUESTION NUMBER 397 TO BE ANSWERED ON 21.4.2005 BY SHRI HARISHCHANDRA CHAVAN REGARDING FDI IN OIL SECTOR.

(a) to (c):- The Government of India has liberalized Foreign Direct Investments (FDI). The salient features liberalizing FDI in the petroleum sector, which includes both Oil and Natural Gas, are given below:

I Petroleum (other than refining)

i) FDI upto 100 per cent is permitted on the automatic route on petroleum product marketing. FDI for this sector would be permissible subject to the existing sectoral policy and regulatory framework in the oil marketing sector.

ii) FDI upto 100 percent is permitted on the automatic route in oil exploration in both small and medium sized fields subject to and under the policy of the Government on private participation in : (a) exploration of oil and (b) the discovered fields of national oil companies.

iii) FDI upto 100 percent is permitted on the automatic route for petroleum product pipelines subject to and under the Government Policy and regulations thereof.

iv) FDI up to 100 percent is permitted for Natural Gas/LNG Pipelines with prior Government approval.

v) 100% Wholly owned Subsidiary is permitted for the purpose of market study and formulation.

vi) 100% Wholly owned Subsidiary is permitted for Investment/Financing.

vii) For actual trading and marketing, minimum 26% Indian equity is required over 5 years.

II Petroleum (refining)

i) FDI is permitted up to 26% in case of public sector units (PSUs). PSUs will hold 26% and balance 48% to be held by public. Automatic route is not available.

ii) In case of private Indian companies, FDI is permitted up to 100% under automatic route.

The Ministry of Petroleum & Natural Gas and Public Sector Undertakings (PSUs) in addition to private sector companies, actively seek FDI within the framework of Government policy in this regard.